the first hearing in December, I presented a draft of the revisions that were being made to that manual that were based on a number of comments that had been made by the IEC onboard the M/T THEO T. Now, that manual since then has been further revised, as you must have seen, because we've submitted it to you earlier. The revisions were carried out also with a lot of feedback that was provided by Mr. Karagiorgis when he joined the company and we developed all the forms that were necessary for the proper implementation of the plan, because the draft that I provided to you in December didn't have any forms yet, and we also included responsibilities and duties concerning each of the procedures in that Environmental Management Plan.

So, now I'm here, I'll take you section by section through the Environmental Management Plan. The white is the contents of each section and in yellow italics is a summary of the changes that have been made to each of those sections since the draft that you saw in December.

So, the first section are the company

policies related to the environment. We included the scope of the section and responsibilities, and we also included a procedure requiring that the policies are reviewed and evaluated on an annual basis to ensure that they are updated in accordance with legislation and in accordance with the company's requirements.

Section 2 is to do with the legal and other requirements. There haven't really been any significant changes to that section.

Section 3 is to do with environmental planning. The procedure itself hasn't really had any changes to it. What has changed, though, is for ISO 14,001, you have to establish long-term objectives to improve your environmental performance as a company. In order to achieve those long-term objectives, you have to establish shorter term targets, and in order to achieve those targets, you have to establish environmental programs, which include plans of actions and key performance indicators that are measurable. Those environmental programs have been revised and we have put them into implementation now.

Section 4 is to do with the structure and responsibilities concerning the environment. The company's organizational chart has been amended. Duties and responsibilities were reviewed and revised. You'll see there are a number of differences in the duties and responsibilities. All of those are concerning the environment and we've included the Chief Officer's duties concerning the environment, who has also been appointed as an environmental officer onboard.

MR. CHALOS: So, on every ship the Chief Officer is the environmental officer?

MS. TSOCHLAS: Normally, passenger ships have environmental officers. It's actually not something that you see so often in tankers or bulk carriers, but it's something that we've taken from them and we've appointed him as an environmental officer, so he's responsible for ensuring the environmental performance onboard the ship.

Section 5 has to do with the operational controls. The Environmental Tag System has been significantly revised, and I'll explain that further along in detail.

We've also -- we took a good look at Sections 5.8, 5.9, and 5.10, which are to do with extraordinary engineering operations monitoring, unintended or accidental release of water, fuel oil and lube oil from any engine room machinery, and leakages. We have a separate procedure for each of those items, but we've developed one logbook for those items to be recorded in. That's so it can be more user friendly for the personnel onboard to be able to -- it's more accessible to.

MR. BUNDY: And what do you call that logbook?

MS. TSOCHLAS: Engine Room Extraordinary Operations Monitoring logbook.

MR. BUNDY: And any one of those three items that occurs has to be logged --

MS. TSOCHLAS: Into that logbook.

MR. BUNDY: When did that start?

MS. TSOCHLAS: That's starting now with the Environmental Management Plan.

MR. BUNDY: They're being trained on shore side and then the personnel will go aboard vessels --

MS. TSOCHLAS: To pass on that training.

MR. BUNDY: -- and the brand new logbooks will be put on the vessel?

MS. TSOCHLAS: Exactly.

And then we've also -- I think I missed something. The fuel and lube oil management and bilge and sludge production monitoring report. We have a procedure in place and we've developed a form, The Chief Engineer's Weekly Report, which helps in properly controlling fuel and lube oil management, and bilge and sludge production monitoring and reporting it to us accurately.

And then when it comes to pollution prevention equipment. We include procedures for operating the sewage treatment plan and for testing the oily water separator and the oil content meter, which hadn't been included in the previous version.

Waste Stream Management. We've made no significant changes to that procedure. It is as it was submitted then.

Section 7 is to do with the handling of nonconformities observations and incidents related to the environment. This section was actually called Handling of Deficiencies in the

draft that was submitted in December. The procedures been rewritten so that we can -- we have a better procedure so we can establish more effectively and carryout more effectively root cause analysis and then in turn properly establish adequate and appropriate corrective and preventive actions for any nonconformities, observations, or incidents that may occur onboard one of our ships and that's to do with the environment.

Section 8 is to do with continuous evaluation and improvement. The procedure is pretty much the same, but we have included the fleet engineering survey.

The fleet engineering survey will -- all on-signers and engine officers will have to complete a survey report within three months of signing on. And that we're doing fleet-wide, not just on the covered vessels.

Section 9 has to do with document control. The procedure is pretty much the same as well here, but we've included guidelines regarding proper completion of the oil record book, the garbage logbook, we've included how the extraordinary operations logbook should be

completed, as I mentioned earlier, vessel environmental reports, and office environmental reports, and the list of forms that have been developed for properly implementing the Environmental Management Plan has been included in this section.

MR. CHALOS: Can you explain what these vessel environmental reports and office environmental reports are?

MS. TSOCHLAS: Okay. I'll start with the office environmental reports, which is the easy ones to do because they have consumption and electrical consumption. We are trying to create a more environmentally aware culture in the office as well as just onboard the ships. We recycle batteries and we monitor the consumption on a monthly basis, so that we can see that this is being improved, and it's the same for the vessel, and that's to do with paper, a segregation of medicines that are to be discarded or batteries for recycling. It's all reported in that vessel environmental report.

MR. CHALOS: Does it involve the segregation of the trash?

MS. TSOCHLAS: It's to do with special categories of trash, because garbage is recorded in the garbage logbook and it has the categories in accordance with MARPOL Annex V, but here we want batteries to be separated, fluorescent light bulbs to be separated, medical waste to be separated and disposed of in special waste facilities, and we want to try and dispose of batteries or printer cartridges to facilities where recycling is available, as far as possible, because that's not possible all around the world.

And then Section 10 is an entirely new section that was introduced and it has to do with environment training. It includes competency evaluation, pre-joining training, onboard training, familiarization, appraisal and handing over. All of this concerning the environment. The procedure also includes addressing and communicating our company's environmental policies to third parties that board the vessel, subcontractors, repairers, vendors, things like that.

Section 11 is the anonymous reporting procedure. This procedure has been

significantly revised, and I'll talk about that in more detail further down, but we're in the process of implementing a toll-free hotline rather than having the anonymous reporting form that we had in place before.

And then Section 12 is a new procedure regarding office environmental procedures and that is, as I said, so we can enhance procedures in our shore-based staff at the offices.

MR. BUNDY: So, previously you had the lock-box system with the anonymous reporting. Are you going to preserve that or is that going to go away and are you to --

MS. TSOCHLAS: We're going to take the lockboxes away and remove the form. There was a lot of discussion about how anonymous that anonymous reporting form really was, so we decided that it would be better if we could implement the toll-free hotline, the number, which is not as easy as one would think, it's much easier when you're in one country and people are calling from that country. Getting it to be done internationally is quite difficult.

MR. BUNDY: So, how is that going?

MS. TSOCHLAS: At the moment, we're in contact with two service providers that we're going to combine. We have the local number, the Greek number, and now we're in the process of getting -- because that hotline number is different in each country and we're collecting up those numbers, but that depends on the company's policy, the country's own policy, and the time that it takes also depends on the country. So, we're gathering up those numbers, and as we gather them up, we'll make a list.

MR. BUNDY: But in the meantime, you still have the box onboard?

MS. TSOCHLAS: At the moment, we have the box, we have an anonymous e-mail, and then we have post mail. Any crew member can put a letter in the post and send it to us.

CAPTAIN WIGGER: This is Captain Wigger speaking. One of the companies we're working with did a similar system and their system -- they're able to contact an AT&T operator in any country, usually, and that gives one number that they can call. So, you might want to look at that as well.

MS. TSOCHLAS: Okay. AT&T.

CAPTAIN WIGGER: AT&T and you could access the AT&T operator overseas and that gives you a hotline that you can call into, but the only difference with that company, their corporate compliance manager is located in the U.S. So, that might preclude what you're talking about.

MS. TSOCHLAS: Because I think it would be much easier if we were based in the U.S. to do it in the U.S.

CAPTAIN WIGGER: They have a toll-free number.

MS. TSOCHLAS: They have facilities for that. Whereas it's more difficult with Greece.

MR. CHALOS: Captain Wigger, I know the company you're talking about and I think one of the reasons that they were able to use the AT&T is because they have an AT&T account here in the U.S. and that's presenting a little bit of a difficulty for them, but it's a system -- there are companies out there that can manage that and that's really what they're looking at, someone that can manage the whole sort of range of toll-free numbers that you would use throughout the world. It really is a difficult

task. You know, we think if you want to call a hotel or a rental car company, you just call the toll-free number, but to get a toll-free number that works worldwide is a challenge, it's a real challenge, but they're pretty well on their way here.

MS. PETTUS: Just to clarify, you mentioned something about anonymous e-mail, and that system is working okay?

MS. TSOCHLAS: That system is working. From before the previous hearing, we've had that in place, where there's a specific e-mail that anybody can send you.

MR. BUNDY: So, a seafarer -- presumably the seafarer has only limited access to e-mail onboard?

MS. TSOCHLAS: Yeah.

MR. BUNDY: But when they reach port, then any --

MS. TSOCHLAS: They can set up their own Yahoo account at an Internet cafe, et cetera.

MR. BUNDY: Okay.

LIEUTENANT COMMANDER CASHMAN: Will that system remain in place once the other numbers are established?

MS. TSOCHLAS: We'll keep the most three ways, the toll-line, the anonymous e-mail, and post mail, and for the Philippine crew, they like using post mail. It's quite a popular way of communicating.

CAPTAIN WIGGER: I know a number of companies also issued phone cards to their crew members and those phone cards are, generally, international.

MS. TSOCHLAS: Yeah, we had thought about that, but -- actually, we did discuss that and it would probably be the easiest solution and, also, the most cost-effective solution, but we were talking about the fact that those phone cards are for use onboard and for somebody to go and make a call onboard, everybody knows what everybody is doing onboard, everybody will know that he's made a call, so we don't protect his anonymity that way. That's what we decided. That was our opinion with the company.

MR. CHALOS: Mr. Wigger makes a good point. If you gave them phone cards that they can use from shore, that might be --

MS. TSOCHLAS: But the phone cards aren't

international phone cards. It has to be appropriate to the country. They can't be used.

MR. CHALOS: I see. Right. But you can use them on your ship because --

MS. TSOCHLAS: Yeah, we have scratch cards onboard anyway that the crew member if he wants to communicate with his family, he'll buy one of those scratch cards and speak through the satellite to his family, and we had set that up because they might not want to spend the money on making an anonymous phone call. We provided them with those scratch cards, but then when talking with the superintendents, who are all ex-seafarers at the office, they said that really wouldn't work because we wouldn't be protecting the person who's making the complaint.

MR. CHALOS: You can imagine a guy standing on the bridge on the phone saying, hey, I want to report the chief engineer anonymously, you know.

MR. BUNDY: Okay. Please continue.

MS. TSOCHLAS: Section 13 has to do with our terms of probation and our scope of work

that addresses all the issues that apply to the vessels that are covered by the terms of probation.

MR. BUNDY: Did you skip Section 12?

MS. TSOCHLAS: I thought I -- it's the office environmental procedures. Didn't I talk about that?

MR. BUNDY: Yeah.

MS. TSOCHLAS: I can talk about it again if you'd like.

MR. BUNDY: Please.

MS. TSOCHLAS: So, the office environmental procedures are procedures we have in place for paper consumption and recycling batteries and such.

MR. BUNDY: That's fine.

MS. TSOCHLAS: Section 13 has to do with procedures that apply to the vessels that are covered by the terms of probation, such as the installation of the SWOMS, document submission from the vessel to us and then from us to all the relevant parties. The corporate compliance manager, his role and responsibility and appointment, such issues are set out in the terms of probation, and that haven't been

included in the environmental plan on a fleet-wide basis.

MR. BUNDY: Okay.

MS. TSOCHLAS: And then Section 14 are all the forms that have been developed for the implementation of the Environmental Management Plan. I'm not going to go through them one by one. They were submitted as well, so you have a chance to look at them and it will take quite awhile.

MR. BUNDY: That's right. If anybody has any specific questions about any specific form, go ahead at the appropriate time, but let's not go through each one right now.

MR. CHALOS: Mr. Bundy, this may be an appropriate time for a short break.

MR. BUNDY: I know Ms. Tsochlas is getting hoarse.

Let's take a brief 10 minute break and let's make sure we keep it no longer than that.

We can go off the record.

(Whereupon, a recess was held.)

MR. BUNDY: We can go back on the record.

Miss Tsochlas, you're still under oath and you may continue.

MS. TSOCHLAS: So, we were at forms. We finished with the Environmental Management System.

The next item in the outline provided in your letter in March was to do with the initial audit on the M/T FIDIAS. You have highlighted three or four points, I think, and then we've also addressed some of the other comments that were made by the auditor at the initial audit.

The first item that you mention is the procedure for maintaining the seal logs. As I said earlier in the Environmental Management Plan, we've revised that procedure significantly because we had identified some issues and then there was some comments and feedback from the auditors as well.

Up until now, we had a logbook that was a form that could be printed out as it was needed to be completed and put in a file, and we'd actually shown you pictures of that in the previous hearing. We decided that that wasn't -- we couldn't adequately control that and we've printed engine room seal logbooks that are bound and the pages are numbered. We brought a couple to show you. You can have a

look at them afterwards.

MR. BUNDY: Okay.

MS. TSOCHLAS: Because each vessel has its own ship specific installation guidelines, each book that's supplied to the vessel has the installation guidelines showing where the seals should be placed, inserted. The initial installation is recorded in the logbook and then after that each change that takes place is recorded as well in the logbook.

Another issue that we came up with was the seals that we have originally supplied to the vessels were of poor quality, the material was of poor quality, and with the heat conditions in the engine room and the ones that are on deck which are exposed to the sun, they start to break very easily, which causes issues. So, we researched the market -- the technical department researched the market and they found seals that have wire cord, so they are far stronger, and now we're in the process of supplying all the vessels with a new set of seals and we'll replace the old seals with these new wire cord seals, which are more reliable.

When we install those new seals, we'll put into effect the engine room seal logbook. So, the initial installation will be the initial installation of the new seals.

We've also included the engine room seal logbook in that environmental component of the Chief Engineer's handover, so when the new Chief Engineer comes onboard the old Chief Engineer will have to take the engine room seal logbook and verify that it's in order and both Chief Engineers will sign the acknowledgment of that handover.

We've also printed a second logbook, which is the spare seal logbook. When we supply spare seals to the vessel, the Master takes them and keeps them in a safe place in his cabin. Those spare seals are listed in the logbook, which is also bound with numbered pages, and each time the Chief Engineer requests for a seal for some reason for replacement, it will have to be logged in that book, the date, the time, and the reason for replacement, so we can cross-check between the Master and the Chief Engineer.

MR. BUNDY: And is that cross-check part

of another procedure, an audit procedure?

MS. TSOCHLAS: It's part of the Environmental Audit Procedure, the Internal Environmental Audit Procedure which we'll discuss a little further down, but it's when a superintendent carries out a check onboard, he checks the seals onboard.

MR. CHALOS: And the logbooks.

MS. TSOCHLAS: In accordance with the logbooks, that's how he checks them.

The second item in the audit have to do with the port testing of the oily water separator and the oil content meter. The auditor who carried out the initial audit on the FIDIAS, could not carryout in-port testing of the oily water separator. What he meant by that was he could not verify the capacity because the design of the oily water separator, as is on all vessels, it draws from the bilge holding tank and recirculates it back to the bilge holding tank, so as the bilge fluid leaves the bilge holding tank comes back, he can't measure the capacity that's passed through the oily water separator. We had a number of exchanges with Captain Wigger on the

issue and we agreed that it's more important to verify that the good functioning of the oily water separator and the testing of the capacity can be carried out while at sea.

Is that not so, Captain Wigger?

MR. BUNDY: Go ahead. If you could elaborate.

CAPTAIN WIGGER: Yes, and the auditor in this particular audit, you know, again, he recommended some modifications, I believe, that would allow the capacity measurement, but if, you know, we conduct an hour long test, we can be assured that there is suction being taken from the bilge holding tank, it is being processed through the oily water separator, we could monitor the OCM and the oil content, the PPM and monitor the alarms and ensure, again, that it is functioning for an hour without any significant stoppages. That, in our view, is a good, adequate test. A plus to that, of course, would be if you can measure the capacity, but -- and compare it to the oil record books and see what they're getting on a regular basis. Of course, assuming that the oil record book is accurate, you can go back

into the oil record book and look at capacity as well to see if it's exceeding the rated capacity or significantly below, if they're having any problems or, you know, where it is, and then make some conclusions in that regard as far as, you know, the functionality of it. But, in my view, I don't think that is as critical.

And I wouldn't -- I think under MARPOL, of course, it's in full compliance with MARPOL, and to modify, again, you know, we'd have to get class approval and that would be something that I think is really beyond.

MR. BUNDY: Mr. Olsen, did you have a comment or question.

MR. OLSEN: Why wouldn't the effluent as it leaves the three-way valve go right back to the bilge? Why would that be a problem? It's a separate step to put it back in the bilge tank?

CAPTAIN WIGGER: Just to direct it into the bilge?

MR. OLSEN: Yeah.

CAPTAIN WIGGER: Not really a problem, it would require a modification and that's, again,

instead of that, you'd probably have after the three-way valve or, actually, when you're coming off the three-way, you'd have to have a manual valve there.

MR. OLSEN: Some companies have done that and they put a stub into a funnel so you can't hook anything up to it and they've had it class approved. I mean, some auto carriers have done that so you can actually just run it back to the bilge and then you're not just doing that circular thing. I'm not sure, was it piped to go directly back to the bilge holding tank?

CAPTAIN WIGGER: It's piped to go back to the bilge holding bank.

MS. TSOCHLAS: It does have an ability to draw, not just from the bilge holding tank, it can draw from the bilge as well, so you can do the test that way, draw from the bilge well and circulate it back to the bilge holding tank.

MR. OLSEN: And that would give you a capacity if the bilge hold still had enough fluid in it.

MS. TSOCHLAS: We would like to avoid making any modifications because pollution prevention equipment is very sensitive and any

kind of changes you make could cause problems, even if you go through classification and administration. We want to avoid that. We don't want to change things to the pollution prevention equipment considering that it's fully functional and in accordance with MARPOL legislation.

MR. BUNDY: Well, can you do a capacity check by drawing from the bilge directly and depositing it in the bilge holding tank?

MS. TSOCHLAS: Yes. And that's how it was done on the COT, I don't know why it was wasn't done like that on the FIDIAS. There was the ability to do --

MR. BUNDY: I think in the FIDIAS, bilge wells were not --

MS. TSOCHLAS: They were dry.

MR. BUNDY: They were dry, yeah, but --

MR. CHALOS: Mr. -- I mean Special Master, you know, in my experience, doing a capacity test in port, it's really, you know, not a big item, you know, if you want to see the capacity, you can do it at sea because there are some audits that take place at sea or you can do it as suggested by Mr. Olsen, draw from

your bilges and recirculate it back to your bilge holding tank, if that was an important element that you wanted to check. Personally, I don't think it's an important element, I think what Mr. Wigger is saying -- Captain Wigger -- is you want to make sure that your equipment is working properly and your OCM is working properly and you can sustain it for a period of time. That's the more important part of the test.

MR. BUNDY: We can argue about this later, why don't we just -- if you have anymore questions on the technical stuff that you want to put to --

MR. OLSEN: No, I sort of agree with him, but the whole purpose of the capacity --

MR. CHALOS: That's an agreement, by the way.

MR. OLSEN: -- is to run it for a length of time. If you're doing a capacity, you're also looking at how frequent it alarms or doesn't alarm, and so, you know, you're coming up with an evaluation of the equipment based on a period of time that involves the capacity, you know.

MS. TSOCHLAS: Can I point out that the initial audit is required to be carried out underway anyway, so the capacity test can be carried out while the vessel is underway.

MR. BUNDY: Audits are required to be underway audits. And Captain Joshi pointed out -- he didn't say you couldn't do a capacity test underway, it was just in port.

MR. CHALOS: And our point is he could have done it if he used the bilge well.

MR. BUNDY: Okay. Next topic.

MS. TSOCHLAS: The institution of an internal environmental audit procedure. We have developed an internal audit procedure for the environment and it's been included in the Environmental Management Plan. That requires an internal environmental audit to be carried out on an annual basis by an auditor from Ionia who is qualified to carry out the audit. We've also prepared a checklist to provide the guidelines and indicate the elements that we require to be assessed during the environmental audit.

MR. BUNDY: Who would be qualified -- who would be, in your view, a qualified Ionia.

MS. TSOCHLAS: Because we have ISO 14,001, for us to carryout an environmental audit, he has to be certified with ISO 14,001 as an ISO 14,001 auditor and then he has to have the experience of the system and the knowledge of the system to be able to carryout the audit. Our superintendents are qualified for carrying out --

MR. BUNDY: Each one of your superintendents is qualified?

MS. TSOCHLAS: Yes.

MR. BUNDY: Okay.

And how many superintendents do you have?

MS. TSOCHLAS: We have two in the technical department, one marine superintendent, and then the safety and quality department as well.

MR. BUNDY: And all four of those people are qualified to do it?

MS. TSOCHLAS: Yes.

Now, those were the points that were listed in the outline provided by Mr. Bundy. We have addressed some of the items that were recorded during the initial audit by the IEC on the FIDIAS. One of the items was the waste

stream management procedure. He suggested that we develop a waste stream management procedure to be included in the Environmental Management Plan. We have done that. It has been included in the Environmental Management Plan that has been distributed to the vessels and to all of you. That procedure provides guidelines on the methods of disposal and the management of waste, both produced in the engine room and also garbage in accordance with MARPOL Annex V. It's what I mentioned earlier that we require medical waste to be disposed of separately to the reception facility and a preference that batteries are disposed for recycling to reception facilities that have recycling facilities available. Things like that.

He also -- the auditor also made reference to training related to the ECP. Now, ECP means Environmental Compliance Program. We don't actually have an Environmental Compliance Program. We have the terms of probation, so we assume he's referring to those terms of probation and the requirements therein.

We prepared a training presentation.

MR. CHALOS: Can I just interrupt a

second?

Mr. Bundy, the ECP generally is what we negotiate with the government after these cases are either, you know, we normally settle and I think that's what the auditor was making reference to because that's what he's used to when he audits a ship. We don't really have an ECP in this case, we have terms of probation and we have the scope of work and that's, basically, what we use as sort of the underlying Bible and then everything flows from that.

MR. BUNDY: Agreed. And the environmental management system and the manual and all of that flowed from, as I understand it, the auditor's early recommendations and the company decided, based on those recommendations, to institute a fleet-wide environmental management system with a manual.

MS. TSOCHLAS: To restructure. We did have an environmental management manual in place, but there were recommendations to include a number of additional procedures, which is what we have done now.

CAPTAIN WIGGER: And just to clarify, too,

I did speak with Captain Joshi about that particular, and ECP sort of has become more generic in the sense that as you point out, a lot of the cases have an ECP that's negotiated as part of the plea agreement, but in his case, too, he's also referring to the overall Environmental Management System and the procedures under that system and policies and all of that.

MS. TSOCHLAS: Yeah, we've taken it as that.

CAPTAIN WIGGER: Which you've addressed, I guess.

MS. TSOCHLAS: So, the training presentation that I mentioned earlier for the implementation of the new Environmental Management Plan, includes training to do with environmental compliance and awareness, as I have already discussed, and it also includes elements related to the Kriton that was detained and the consequences to the company following that detention leading up to us having terms of probation and a Special Master and scope of work. So, that has all been included in that presentation to ensure that

all seafarers are aware of our environmental compliance.

MS. PETTUS: Could I just clarify, when is that training taking place? Where does that fit into some of the other trainings you're talking about?

MS. TSOCHLAS: This is our own company internal training provided by Videotel. So, that's a training presentation that we have developed in-house, the first thing we did was we carried it out internally with our shore-based personnel to make sure everybody is onboard with that and now we're going out onto the vessels, we're going to carry it out on the vessels, and we're also going to carry out it out during the pre-joining familiarization training, which is carried out with our internal trainers at the manning agent.

CAPTAIN WIGGER: Is that like a power-point presentation?

MS. TSOCHLAS: It's a power-point presentation and it has the reference material, the scope of work, so everybody gets to read that and that's carried out with all our seafarers, regardless of whether they're going

to be signing onto one of the covered vessels or not, because we rotate our seafarers throughout the fleet, it's making sure that everybody will be aware of the situation.

Another comment was to do with the incorporation of the ECP requirements into the company's SMS. Yet, again, we consider the ECP requirements being the terms of probation and everything that's come about following.

I want to reiterate here that we have always had a quality and environmental management plan since we've been certified with ISO 14,001, that was in place and functioning, but we've made significant revisions and amendments in accordance with recommendations from the IEC to that environment manual. One of the major revisions to that was that we split quality from environment, because we are also certified with ISO 9,001, we have that integrated. One of the recommendations from the IEC was to split that so we could communicate better the environmental management plan to our seafarers, so we've done that and now we're implementing that onboard, and we've incorporated into that the terms of probation

and all the recommendations that have been made following both of the initial audits on both of the vessels.

And that's now all control document. Since it's been integrated into the safety management system, it's considered a control document.

MR. CHALOS: Can you explain what that means?

MS. TSOCHLAS: A control document. It comes from -- the Safety Management System comprises of procedures and forms that are related to the Safety Management System and they have been developed by the company to be used onboard within the company and onboard our vessels. They can be easily identified with the use, yet, generally, overhead it indicates their effective date and their revision, and which manual they belong to. That's considered to be a controlled document and it makes sure that everything that's been used both onboard and within the company is controlled by the company. It's being produced by the company itself. It's to avoid people coming onboard and saying, oh, I'll make my own checklist to

do it my way.

And the auditor made a reference to management of change procedure. He suggested that we include a management of change procedure into our Safety Management System. We've always had a management of change procedure since 2006, that was also further amended in August of 2008 to include risk assessment and to evaluate the impact of any change that we might bring -- that might bring about environmental, an effect on the environment. So, I don't know how that wasn't communicated to him during the audit, but we do have that in place and I submitted it in the documentation. I don't know if you want an explanation on what management of change --

MR. BUNDY: No, unless anybody else does, I think that we've understood that. And you spoke about it earlier and the way you implemented.

MS. TSOCHLAS: Yeah.

Blank Flanges. Blank flanges was the placing and sealing of blank flanges in accordance with the requirements set out in the scope of work. The auditor commented that it

was in progress, but it actually had been completed at the time of the audit. We came -- we investigated the issue. We requested follow-up from the Chief Engineer to clarify what was meant by that and he verified that blank flanges were in place in accordance with the requirement and sealed the way they should be. That was further verified by Mr. Karagiorgis when he boarded the vessel in Piraeus so he could cross-check that. So, that's another thing that we're not too sure what was meant by that.

CAPTAIN WIGGER: Again, I talked to him about that as well. And while there are specific blank flanges that have seals that are being monitored, one of the things that we try to do during our audits is get down below the floor plates and look for, you know, systems that might have blank flanges that have pipes leading overboard, and as much as you try to do that in the time during the audit, you don't always get to see every little pipe connection. One thing we usually ask is have you done a, you know, an assessment to determine if you have any of those? And if the answer is, well,

not really, or, yes, if it's yes, we have, and we have it documented, then, you know, we accept that, but I think in this case here, the response he may have gotten, or maybe he didn't ask it in a proper way or whatever, was that he felt that it might be good to evaluate to make sure that you don't have any of these flanges with piping systems leading overboard where you could have an unauthorized connection.

So that, you know, the recommendation there would be that the company, the vessel, you know, the ship staff would take a hard look at those systems and make sure there are none and somehow document that, maybe.

MS. TSOCHLAS: Yeah, well, we have done that -- the superintendent engineer when he prepared the guidelines for the installation of seals onboard the vessel was done on a ship specific basis, so that was taken into account then, and that was done at the beginning of 2008, but we further -- due to the comment by Captain Joshi, the technical manager, Mr. Karagiorgis, the CCM, along with the Chief Engineer further investigated that and verified that everything is in order.

CAPTAIN WIGGER: And, again, I don't think it was, you know, specifically that he identified some of those flanges.

MS. TSOCHLAS: No, he didn't.

CAPTAIN WIGGER: It was a matter of, hey, I've taken a look, but, again, there may be some there, and without some type of verification back from the ship staff or documentation, I'm not sure.

MS. TSOCHLAS: Another item was the bilge sampling and OWS performance analysis. The scope of work requires that bilge sampling is carried out by the IEC auditor during the initial audit and then those bilge samples are forwarded to a laboratory that's been appointed by Ionia for analysis. That sampling wasn't carried out on either of the vessels during the initial audit, so we took on our own initiative. We did carry out that sampling, it was done in the presence of the IEC auditor, we took samples as described in the scope of work and forwarded it to our laboratory in order to carryout both of those samples. It's been done onboard both vessels. And we received the report of the analysis for both vessels on the

15th of April, 2009.

Then the scope of work requires us to forward those analyses to the makers of the oily water separator, but the oily water separator is not really affected by the consistency of an effluent, it's the oil content meter that has to be taken care of, we have to make sure that the effluents are compatible with the oil content meter. The oily water separators, its function isn't really compromised by the effluent, but the oil content meter could stop working. It's not compatible. So, we sent it to the oily water separator makers and to the oil content meter makers, so we could get some feedback from them, which we consider more productive feedback, more constructive feedback.

The oil content meter makers report came back to us and reported that the bilge effluence in the samples are compatible with our OCM units installed onboard both vessels. The oily water separator makers have not come back to us, which doesn't really surprise us because we're not expecting feedback from them.

MS. PETTUS: I just have one question not

being the technical expert, I just open it to the floor. In terms of understanding why the effluent doesn't really affect the oily water separator, and I understand to some extent it's going to filter, no matter what's in there, because it's sort of a passive system, but aren't there components in the effluent that could actually affect this filter because I know we talk about multiplying agents and how that affects --

MS. TSOCHLAS: Those affect the oil content meter.

MS. PETTUS: But can't they also affect the degree to which the -- depending on the set-up of the particular oil water separator, I'm throwing this out, because I don't know.

MR. OLSEN: I think you're right, because when they test approve these equipment, they have specific oils that they test it to. The goal of this requirement, this type of requirement, is to see if what's in the bilge is similar to what the equipment had been approved for and that the equipment is adequate. You could have substances in the bilge that can't be separated, like you said,

detergents, you know, emulsified oils and stuff like that that will never separate within the separator.

MS. PETTUS: To some extent, those things may be more out liars than kind of the standard stuff that you might find. I didn't want it to be necessarily completely discounted.

MS. TSOCHLAS: Well, we haven't discounted it, because we did do the procedure as required. The oily water separators haven't provided feedback to us yet and we have gone back to them, they haven't gotten back to us. The makers of the oil content meter came back practically immediately and that is something that concerns us more because that is something that will be affected, they're far more sensitive.

CAPTAIN WIGGER: Many of the OWS manufacturers, they have a list of chemicals that they feel are compatible with their systems, so, in that regard, if there's chemicals that are not compatible, as Mr. Olsen points out, the OWS may pass through the OCM, but it will not, if it's emulsified it may not, you know, be separated out in this. But,

again, a lot has to go back to, you know, the manufacturer on that. But there are some chemicals that the OWS manufacturers recommend you just don't use and they have a list of compatible chemicals.

MS. TSOCHLAS: We do have that list. It's mostly for the oil content meter. Because that is far more sensitive and that list we have provided to our vessels and we don't provide cleaning detergents or agents that will affect the oil content meter.

CAPTAIN WIGGER: But I think your point, too, is you have distributed those analyses.

MS. TSOCHLAS: To the makers.

CAPTAIN WIGGER: To the makers. And that's a reaction that on other cases that we are involved with from the companies, you know, they're trying to comply, but a lot of times they say we never get a response, even though we go back to them, they just, you know, sometimes manufacturers are not responsive on that.

MR. BUNDY: Okay.

MS. TSOCHLAS: When we also arranged -- ensured that the IEC auditor that boarded the

THEO T to carryout the verification order onboard the THEO T witness the sampling from that audit. We have taken the samples to the laboratory and we are waiting to get the reports back so we can forward them to the makers.

Another comment was made regarding the cleaning of the source tank and the scope of work requires us to ensure that the source tank is cleaned once every six months. The auditor commented that there were no records to evidence that the source tank had been cleaned in the last six months, but, in fact, it had been cleaned in January -- on the ninth of January in 2009. The auditor boarded the vessel on the 29th of January, and there were records available in the electronic PMS software that's available onboard, which I have submitted, and you'll see on the next slide.

And we've circled it in red, the entry, and that's the 9th of January, 2009. And, in fact, the installation of the SWOMS was carried out a couple of weeks after that in order for the SWOMS to be installed, the source tanks had to be properly cleaned because hot work is

involved, they have to weld, and if it wasn't cleaned, we wouldn't be able to carryout the installation of the SWOMS.

Another comment has to do with oil to sea interface. Oil to sea interface, if there's a leak from that piece of equipment, it will go directly into the sea. On our vessels, the only piece of equipment, the only system that has oil to sea interface is the stone tube. We have developed a procedure that requires sounding of the tanks related to the stone tube to be carried out on a daily basis and that sounding is to be logged in the engine room logbook, and in the event that they identify any water ingress, or if there's a loss of oil, the Chief Engineer must notify the technical department so that we can carry out an investigation immediately.

The next item has to do with a fleet engineering survey. As I mentioned earlier, I think the fleet engineering survey was carried out in April of 2009. We developed a form with the help of Captain Wigger with some questions on -- that are in accordance with the terms of probation, we distributed that throughout the

fleet not just to the covered vessels and we've collected back the feedback. All Engine Officers are required to. Furthermore, we've included that procedure in our Environmental Management Plan on a fleet-wide basis as well. All Engine Officers, including the electrician, is required to complete that fleet engineering survey within three months of signing-on onboard. Copies of the completed fleet engineering surveys provided by FIDIAS -- personnel onboard the FIDIAS and personnel onboard the THEO T have been submitted. You must have seen that. When we received the feedback from our vessels, we carried out an analysis of what they were saying to us.

The first question was to do with how we could make the OWS and the OCM and other pollution prevention equipment management processes tamperproof. The majority of personnel considered that the installation of numbered seals and warnings as an effective method to ensure that the system is made tamperproof. After that, proper maintenance of the pollution prevention equipment is considered very important and proper training

and knowledge of rules and legislation.

The next question on the fleet engineering survey requests proposals on improved methods of handling and reducing waste accumulations within the engine room and machinery spaces. Most people came back with eliminating leakages. If you eliminate leakages, then you reduce your waste accumulation. Maintaining proper Waste Management within the engine room was the next proposal and good condition of machinery.

And the third question was to do with the vessel's ability to adequately maintain the vessel systems, equipment, and components related to pollution prevention equipment.

Most of the feedback was related to maintaining the equipment properly.

MR. BUNDY: And then additional training? Did they provide any specifics that you took?

MS. TSOCHLAS: No, additional training regarding pollution prevention maintenance.

MR. BUNDY: Were you able to determine what they thought was deficient in the current training?

MS. TSOCHLAS: I don't think they found

things deficient in the current training, I think it was just proposals for improvement.

MR. BUNDY: Okay. And have you made any changes on the basis of the suggestions made in the engineering survey?

MS. TSOCHLAS: They weren't very specific suggestions and as we made a number of changes to the training procedures that is going to be implemented, we're expecting to get more constructive feedback maybe at a later date and that is why we included the fleet engineering survey in the procedures so it can be carried out fleet-wide, so that we're continuously receiving feedback.

So that -- now, we've completed the part that has to do with the outline provided in your letter dated in March and we'll go onto the second part, which is follow-up on the conclusions drawn following the first hearing in December.

The first conclusion was that we had to get a regular submission of documentation to all the relevant parties in place, and I've listed here the dates of submission and I think that you can see that it's pretty much regular

now.

When we're talking about submission of documentation, we mean the documentation oil record book entries, engine room, and now we also have the SWOM data that we submit to all the parties involved here for review on a monthly basis. In the beginning we had difficulties getting it from the vessel, mainly from the vessel in West Africa, which has come up now to Europe and we pretty much got it going on a monthly basis.

MS. PETTUS: And so, we should be getting May's sometime soon, right?

MS. TSOCHLAS: Okay. So, the May documentation has been delayed because the FIDIAS wasn't in port, so that it could send it to us. You've seen the documentation, it's a huge amount and it's difficult for the vessel to send it by e-mail to the company, so it has to be sent by post mail. I think it was received this week and we're in the process of reviewing that. So, you should be getting that soon.

The next slide.

Now, we decided to present an analysis of

the findings that we've had when we've been reviewing the documentation, because the documentation is first submitted to us, our technical department reviews that documentation, and then we submit it to the concerned parties.

One of the first findings that we had, which was actually brought up by the Coast Guard, was that they were incinerator alarms and in the engine room alarm printouts that hadn't been logged in the oil record book, but that was due to the fact that the incinerator was being used to burn garbage, and we're not required to enter the burning of garbage in the oil record book, only sludges are entered into the oil record book.

There have been noted discrepancies in quantities recorded in the oil record book regarding the burning and transfer of sludges, that was due to inaccurate recording of vaporization and draining, that hasn't really been defined by MARPOL as to how it should be recorded, so for us to rectify that situation, we included instructions in our guidelines for completing the oil record book.

MR. BUNDY: Could you explain that a little more? What -- how did the vaporization of drainage issues affect the oil record book entries?

MS. TSOCHLAS: When they transfer from one tank to -- I think it's probably best for Mr. Karagiorgis to explain that to you because he's more familiar with this.

MR. CHALOS: You might want to swear him in.

George Karagiorgis, of 12 Laskou Street, Piraeus 185 36, having been called as a witness, was duly sworn by the Court Reporter and was examined and testified as follows:

MR. KARAGIORGIS: Okay. Yes, sir.

When the transferring quantities of sludges from sludge, we need some time in order to settling the sea water from the oil. So, the engineer, when he heat it up, the vapors, goes into the atmosphere and also we do some trainings in order to remove completely the water from the oil, to separate the water from the oil, from the sludges. Those activities are not recorded in oil record book, the removal of the water and steam from the total quantity of the waste stream. That means that there are some discrepancies.

MR. BUNDY: And so, what changes have been made to deal with that, if any?

MS. TSOCHLAS: We have included instructions in the oil record book that must be taken into account and recorded and when draining is carried out, the draining must be recorded in the oil record book, must be measured and recorded. The same as with the

vaporization, both before and after quantity.

MR. BUNDY: Okay.

CAPTAIN WIGGER: Also, IMO has recently issued a circular about vaporization being recorded.

MS. TSOCHLAS: That will come into force. It hasn't come into force yet, though, it will.

CAPTAIN WIGGER: I believe it's really just a recommendation.

MS. TSOCHLAS: Yeah.

MR. BUNDY: But you're following the new IMO procedure?

MS. TSOCHLAS: Yeah, actually it came up with us before the IMO recommendation came up. But that kind of verifies our requirement.

MR. BUNDY: Okay.

MR. CHALOS: To put it into perspective, Mr. Bundy, there was nothing in the MARPOL sort of protocol, numbers and codes and things, that accounted for that and that's why you're having all these IMO suggestions and recommendations because this issue has come up before.

MR. BUNDY: Okay. All right. Please continue.

MS. TSOCHLAS: We had also a number of

alarms from the oily water separator that hadn't been entered into the oil record book. Those are functional tests that, although we have that as a requirement that all tests are entered into the oil record book, it had slipped the attention of the Chief Engineer, so we just reminded him of that and from now on, oily water separator tests are being recorded in the oil record book.

The second item in the conclusions drawn following the previous hearing were to do with ensuring that the newly appointed CCM, corporate compliance manager, Mr. Karagiorgis was made familiar with the scope of work in terms of probation. Mr. Karagiorgis joined Ionia on the 2nd of January of this year, 2009, and on his first day at work we had a meeting to do with the scope of work and the terms of probation so that he could start becoming familiarized and from there on we've had weekly meetings to ensure that he was made familiar with all the documentation that has arisen from the testimonies of probation following the initial order, from the previous hearing, et cetera.